

Introduced by Senator Kuehl

February 21, 2008

An act to amend Section 1378 of the Health and Safety Code, and to amend Section 10270.95 of the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 1440, as introduced, Kuehl. Health care coverage.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Under existing law, a health care service plan is prohibited from expending for administrative costs, as defined, an excessive amount of the payments it receives for providing health care services to its subscribers and enrollees.

This bill would limit the amount a health care service plan may expend for administrative costs in a fiscal year to a specific percentage of the payments it receives for providing health care services to its subscribers and enrollees, and would prohibit a plan from expending less in the form of aggregate benefits than a certain percentage of those payments. The bill would also revise the definition of administrative costs for purposes of that provision. Because the bill would specify additional requirements for a health care service plan, the willful violation of which would be a crime, the bill would impose a state-mandated local program.

Existing law provides for the regulation of disability insurers by the Department of Insurance and requires the Insurance Commissioner to approve all disability insurance policies, as specified. Existing law prohibits the commissioner from approving a disability insurance policy,

with the exception of group disability insurance policies, if the policy benefits are not sufficient to be of real economic value to the insured.

This bill would prohibit the commissioner from approving group health insurance policies with benefits of no real economic value to the insured.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1378 of the Health and Safety Code is
2 amended to read:

3 1378. ~~No~~ *(a) In a fiscal year, no plan shall expend for*
4 ~~administrative costs in any fiscal year an excessive amount more~~
5 ~~than 15 percent, or 25 percent for a plan that has been licensed~~
6 ~~for less than five years, of the aggregate dues, fees, and other~~
7 ~~periodic payments received by the plan for providing health care~~
8 ~~services to its subscribers or enrollees. The term “administrative~~
9 ~~costs,” as used herein in this section, includes profits and all costs~~
10 ~~incurred in connection with the solicitation of subscribers or~~
11 ~~enrollees for the plan identified in Section 1300.78 of Title 28 of~~
12 ~~the California Code of Regulations as that section read on January~~
13 ~~1, 2005.~~

14 This

15 *(b) This section shall not preclude a plan from expending*
16 *additional sums of money for administrative costs provided such*
17 *if the money is not derived from revenue obtained from subscribers*
18 *or enrollees of the plan.*

19 *(c) In a fiscal year, no plan shall expend in the form of aggregate*
20 *benefits less than 85 percent, or 75 percent for a plan that has*
21 *been licensed for less than five years, of the aggregate dues, fees,*
22 *and other periodic payments received by the plan for providing*
23 *health care services to its subscribers or enrollees.*

24 SEC. 2. Section 10270.95 of the Insurance Code is amended
25 to read:

1 10270.95. (a) Without affecting the applicability or degree of
2 applicability of other sections of this chapter, ~~it is hereby specified~~
3 ~~that~~ the provisions of Sections 10321, 10325, 10401, of
4 subdivisions (a), (c), (e), (h) and (i) of Section 10320, of
5 subdivision (a) of Section 10290, of paragraphs (2), (3), (4), (5),
6 (6), (7), (8), (9), (10), (11) and (12) of subdivision (b) and
7 subdivisions (e), (f), (g), (h), (i), and (k) of Section 10291.5 and
8 of Section 10291.6, shall not apply to group disability insurance.
9 The provisions of Section 10401 shall not apply to family expense
10 disability insurance; ~~provided,~~ *provided that* there is no
11 discrimination between families of the same class.

12 (b) *Notwithstanding subdivision (a), paragraph (7) of*
13 *subdivision (b) of Section 10291.5 shall apply to group health*
14 *insurance.*

15 SEC. 3. No reimbursement is required by this act pursuant to
16 Section 6 of Article XIII B of the California Constitution because
17 the only costs that may be incurred by a local agency or school
18 district will be incurred because this act creates a new crime or
19 infraction, eliminates a crime or infraction, or changes the penalty
20 for a crime or infraction, within the meaning of Section 17556 of
21 the Government Code, or changes the definition of a crime within
22 the meaning of Section 6 of Article XIII B of the California
23 Constitution.